

# COMMON AGRICULTURAL POLICY FROM HEALTH CHECK DECISIONS TO THE POST-2013 REFORM

**Niculescu Oana Marilena**

*Academy of Economic Studies, Bucharest, Faculty of International Business*

*The paper proposed for being presented belongs to the field research “International Affairs and European Integration”. The paper entitled “Common Agricultural Policy from Health Check decisions to the post-2013 reform” aims to analyze the Common Agricultural Policy (CAP) from the Health Check adoption in November 2008 to a new reform post-2013. The objectives of the paper are the presentation of the Health Check with its advantages and disadvantages as well as the analysis of the opportunity of a new European policy and its reforming having in view that the analysis of Health Check condition was considered a compromise.*

*The paper is related to the internal and international research consisting in several books, studies, documents that analyze the particularities of the most debated, controversial and reformed EU policy. A personal study is represented by the first report within the PhD paper called “The reform of CAP and its implications for Romania’s agriculture”(coordinator prof. Gheorghe Hurduzeu PhD, Academy of Economic Studies Bucharest, Faculty of International Business, research studies in the period 2009-2012).*

*The research methodology used consists in collecting and analysis data from national and international publications, their validation, followed by a dissemination of the results in order to express a personal opinion regarding CAP and its reform. The results of the research consist in proving the opportunity of a new reform due to the fact that Health Check belongs already to the past. The paper belongs to the field research mentioned, in the attempt to prove the opportunity of building a new EU agricultural policy.*

*The challenges CAP is facing are: food safety, environmental and climate changes, territorial balance as well as new challenges-improving sustainable management of natural resources, maintaining competitiveness in the context of globalization growth, strengthening EU cohesion in rural areas, increasing the support of CAP for member states, farmers and active farmers-, sign in outlining the CAP contribution to the “EU 2020 Strategy”.*

*This paper aims to prove that the future CAP should become a more sustainable, balanced, better focused, simpler and more efficient, more responsible to the needs and expectations of EU citizens.*

*Key words: Common Agricultural Policy, reform, rural development, Health Check, EU 2020 Strategy*

*JEL Classification Code: Q18, O13, F59*

## **I. Introduction**

The paper presented belongs to the research field “International Affairs and European Integration”. Entitled “Common Agricultural Policy from Health Check decisions to the post-2013 reform”, it aims to analyze the Common Agricultural Policy (CAP) from the Health Check adoption in 2008 to a new reform post-2013 and tries to prove the need and importance of the reform. The objectives of the paper are the presentation of the Health Check with its advantages and disadvantages as well as the opportunity of a new EU agricultural policy need and its reforming having in view that the analysis of the health condition of this policy was considered a compromise.

## **II. Analysis of the research**

The paper is related to the internal and international research consisting in several books, studies and documents that analyze these aspects of the most debated, controversial and reformed EU policy. Health Check was analyzed by several Romanian and foreign authors, the conclusion being that it made only small technical steps in the path of the reform. The Communication of the European Commission regarding Health Check represents a document that define that so-called analysis of the Health Check. In this context, the opportunity of a new EU agricultural policy and its reforming represent a subject deeply debated by EU member states and as well as a theme analyzed through many studies, documents like the research made by big European think-tank, the position of European Commission and European Commissioner for agriculture, regarding CAP after 2013 regarding the needs of carrying on the reform. A personal study is represented by the first report within the PhD paper called “The reform of CAP and its implications for Romania’s agriculture”(coordinator prof. Gheorghe Hurduzeu PhD, Academy of Economic Studies Bucharest, Faculty of International Business, research studies in the period 2009-2012).

## **III. Research methodology**

The research methodology used consists in collecting and analysis of internal and international data, their validation followed by the dissemination of the results with a view to building and expressing a personal position regarding CAP. Health Check belongs already to the past and for that reason the paper tries to prove the need of building a new EC agricultural policy and of reform.

## **IV. Results of the research**

Following the collecting and analysis of data regarding CAP since 2008 to present and after 2013, the results of the research can be expressed by the need of building a new EU policy having in view that Health Check, through its changes, made only small steps in the direction of a new reform.

Common Agricultural Policy (CAP), one of the first common policies adopted by European Union (EU) has been, in over half of century of existence, the most debated, controversial, analyzed and reformed EU policy.

If in the beginning it was based on output subsidy and protection of internal market against non-European producers, subsequently subsidy aimed to support directly the income, not the stimulation of the production, focusing on rural development and environment protection.

Health Check was adopted in November 2008 by the ministers of agriculture of the EU member states following the political agreement regarding the health condition of CAP and represents a package of amendments to policy regulations, amendments of small steps only at technical level towards the reform. Considered as being a compromise, Health Check gave the member states a significant number of instruments to support the producers. The changes adopted solved difficult problems that the Fischler Reform didn’t in order to avoid being rejected by member states. So, intervention on markets is reduced, modulation is extended and decoupling is carried on:

- national milk quotas were supplemented with 1% per year, going to be eliminated in 2015;
- in case of wheat bread, buying from the market at intervention price were limited to 3 million tonnes (on the entire EU), interventions over this quantity being done through public auction (at a lower price);
- keeping land fallow was eliminated (set-aside-the obligation to let a part of lands not cultivated in order to limit the offer of products);
- modulation foresees that payments for farms that receive more than 5000 euro to be reduced by 10% till 2012 (and those for farms receiving more than 300,000 euro to be extra-reduced by 4%), money being transferred to the rural development budget;

- decoupling, essential result of the 2003 Reform, achieved by introducing the single payment scheme at farm level (and in case of new member states the single area payment) was imposed also to those subsectors from some countries that chose the maintaining of coupled support [Luca 2009b: 15]

Among the disadvantages of Health Check are:

- deficiency in the implementation of guidelines that were going to be written by each member state;
- refuse of the Commission to discuss a proposal in order to equalize the rates of direct payments in the entire EU;
- falling to adopt an upper limit to the level of direct farm payments, big farms being further the main beneficiaries of CAP, in contradiction with its objectives to support family farms and to preserve rural environment;

The main provisions of Health Check were those that involve the disappearance of market regulation tools and those of rebalancing production support (crop, livestock, horticulture, etc.). While at European level discussions were held on subjects like: management tools of food market production, modulation, conditionality, biodiversity, price volatility of agricultural products, environment protection, climate changes, etc., at internal level farmers protested against decisions taken by state institutions regarding: fuels excise duties reduction, low amount received as payment area and falling to pay it on time, market of agricultural products, low price received by farmers within the pathway to recovery.

Debates regarding limits and modulation finalized in decisions providing: low limitation: minimal limit to 1 ha or 100 euro; for Portugal, Hungary, Slovenia the limit remains 0,3 ha; upper limitation: no legislative measure; compulsory modulation: an increase of 5% distributed in 4 steps, starting with 2009 (2%) and 1% for 2010-2012; progressive modulation: an additional discount of 4% for farms over 300,000 ha.

Health Check resumes to less tools for market regulation and for funds transfer from the first pillar to the second one, financing of the rural development programs. Although most member states were aware that a reduction of agriculture budget could not be avoided, the debates within Health Check could not define a common position of member states, not even as principles, regarding the direction of the reform after 2013.

Health Check is already a matter of past, debates within EU are subject to the new CAP after 2013 and its reform.

After the extended public debate organized by the European Commission in early 2010, the Council discussed the reform over four successive presidencies, the European Parliament adopted a report by its own will regarding CAP after 2013. The conclusion after these discussions was that the future CAP should remain a strong common policy structured around its two pillars.

The CAP is facing challenges like: food safety, environment and climate changes and territorial balance. Although CAP has developed, many changes are still needed in order to answer to new challenges like the improving of the sustainable management of natural resources (water, biodiversity, soil), the maintenance of competitiveness in the conditions of globalization growth, the recovery of the diversity of agricultural structures and output in EU, the strengthening of the territorial and social cohesion in rural areas of EU, the increase of CAP support for member states, farmers and active farmers.

Responding to these challenges, CAP will also contribute to the “EU 2020 Strategy” concerning: smart growth: by increasing resource efficiency through technology and innovation, developing high added value and quality of products, green technologies, investing in training, providing social incentives in rural areas; sustainable growth: ensuring sustainable land management through: providing environmental public goods, avoiding to lose biodiversity, promoting renewable energies, reducing gas emissions and developing the potential of rural areas; inclusive growth: by unlocking economic potential in rural areas, developing local markets and jobs,

sustaining the restructuring of agriculture and supporting farmers' income [European Commission]

The main three objectives of the future CAP are: viable food production, sustainable management of natural resources and climate action, balanced territorial development. The achievement of these objectives depends to the maintaining of public support for agriculture and rural areas.

An agricultural policy designed at EU level is necessary in order to ensure fair conditions with a common set of objectives, principles and rules and provides a more efficient use of budgetary resources than the coexistence of national policies.

The main orientation of the public debate is reflected by three general policy options which rely on the structure the policy's two pillars: an enhanced Status-quo; a more balanced, focused and sustainable support; less market tools and reduced income support.

With a view to improve the quality of legislative proposals, the improvement of smart regulation, simplifying the policy and reduction of administrative charges are required.

An important step for such an important policy like CAP is represented by the fact that the Parliament will be involved together with the Commission in the process of taking decisions and will respond in a better way to the expectations of farmers, inhabitants in rural areas, to citizens in general. The legal proposals will be submitted later this year and legal documents might enter into force in 2014.

The future CAP represent a subject extremely debated in working-papers, reports and conferences by several European think-tanks having different profiles from international and commercial relations to land use and food safety. Among these are: Groupe de Brouges, French Institute for International Relations, Land Use Policy Group, European Centre for International Political Economy, Notre Europe, Agriculteurs de France.

Europe must stimulate the building of a modern agriculture, to create working places and to ensure a fair management of the EU agricultural area. The future CAP should contain a more equitable distributed first pillar and a second pillar focusing more on competitiveness and innovation, climate change and environment. A special attention should be given to the development of rural area.

CAP reform must continue in order to promote competitiveness, efficient use of resources, adoption of appropriate measures in order to ensure food safety, social and territorial balance in the context of climate changes, taking into account the constraints of limited budgetary resources and the impact of the economic crisis in agriculture.

The future CAP should become a more sustainable, balanced, better targeted, simpler, more efficient, more responsible in order to meet expectations of the EU citizens.

## **V. Conclusions**

The paper is related to the research papers in the field "International Affairs and European Integration" and tries to complete the studies regarding the opportunity of the CAP reform.

As Health Check represented only small steps in the direction of reform, being already a problem of past, the paper reflects the need of building a new CAP and of a reform post-2013. The new challenges CAP is facing will contribute to the "EU 2020 Strategy".

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